APPRAISAL OF THE PERFORMANCE OF AGRICULTURAL CREDIT GUARANTEE SCHEME: A CASE STUDY OF SOME SELECTED COMMERCIAL BANKS

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DECLARATION

This project entitled AN APPRAISAL OF THE AGRICULTURAL CREDIT GUARANTEE SCHEME FUND: A CASE STUDY OF SOME SELECTED COMMERCIAL BANKS is my original work which could not be found elsewhere, whether published or unpublished. To the best of my knowledge all references made are fully acknowledge. I accept full responsibility for any mistakes that may be found.



IDRIS I. SA'EED

SEPTEMBER 2000

CERTIFICATION

This project entitled AN APPRAISAL OF THE AGRICULTURAL CREDIT GUARANTEE SCHEME FUND: A CASE STUDY OF SOME SELECTED COMMERCIAL BANKS by IDRIS I. SA'EED meets the partial requirements governing the award of the degree of MASTER OF BUSINESS ADMINISTRATION of Ahmadu Bello University, and is approved for its contribution to knowledge and literary works.

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DEDICATION

To my mother – Aishatu

My wife – Basira – And my daughter – Aisha

To late Nasiru and the entire Sa'eed Family

ABSTRACT

Over the years the Nigerian peasant subsistence farmers who constitute over 90% of the farming population, and who live in rural areas, have been having difficulties obtaining bank loans for the purpose of agricultural development. This is because of the high risks involved in that venture. Agricultural Credit Guarantee Scheme (ACGS) which was established to disperse the risk elements of such credits and therefore enhance credit extension to these farmers, has started showing signs of failure as a result of poor repayment rate and default claim settlement.

An insight into the activities of the Scheme was gained through reviewing literatures on the Scheme and sampling of opinions and experiences of the participants in the Scheme. The data so gathered were analysed. It was found that failure in the Scheme was more inclined to the level of efficiency with which a lending bank discharges its functions (banking activities) rather than the inaction of the managing agent. And also that the maximum amount loanable without tangible collateral, is inadequate in the face of rising costs of these loans.

For the Scheme to be more effective and efficient, the agricultural credit departments of both the Central Bank of Nigeria and the lending banks should discharge their duties with more diligence and commitment. Cumbersome procedures and lengthy documentation should be eased up so that delays could be seriously minimized. And also maximum amount loanable without tangible collateral should be raised to N 10,000 or N 15,000.

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CHAPTER 1

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

According to the Oxford Advance Learner's Dictionary, agriculture is the "science and practice of cultivating the land and keeping or breeding animals for food." Generally speaking, agriculture is the sum total of all activities involved in the production of food and other services for human consumption. Such activities may include production, research, training and financing in the fields of crops, forestry, fishery and livestock.

Agriculture has played a major role in the economic activities of Nigeria over the years. It was contributing over 50 per cent of the GDP and providing employment for over 70 per cent of the population. In 1956 for example, its contribution was 56 per cent (World Bank Report, 1984).

Over the years several agricultural development policies and programmes and particularly agricultural credit policies aimed at improving the level of agricultural production have been enunciated by the governments of the day. But still yet agriculture is at a lower developmental stage. For example, its share of the GDP was 39.0 per cent in 1996, 39.4 per cent in 1997 and 40.4 per cent or N45.6 billion in 1998 (1998 CBN Annual Report).

1.2 STATEMENT OF THE PROBLEM

The Nigerian agricultural sector is dominated by peasant subsistence farmers who use primitive tools and live in rural areas where there is a virtual absence of banking facilities. Even where such facilities exist, these banks are reluctant to finance agricultural production due to the high risk involved. As a result, they attach stringent conditions to such loans thereby making it very difficult for the farmers to access.

Macro economic policies such as those on interest and exchange rates result in high level inflation thereby affecting the cost of agricultural production. For example, the average price of 50 kg of fertilizer was N1,400 and N2,100 in 1997 and 1998 respectively (1998 CBN Annual Report). The effect of these policies is better appreciated when one considers that this same commodity was selling for an average of N75 in 1993 (Kaduna A.D.P. 1994).

Quite a number of loans granted are not repaid by the farmers. This high incidence of default, more often than not, emanate not so much from adverse outcomes on the investments but rather due to either blunt refusal to pay by the borrowers (farmers) or poor assessment of loan applications as well as poor management of the loans granted by financial institution's officials.

1.3 RESEARCH OBJECTIVE

No matter from the angle one looks at research, it is:

> "the most important tool for advancing knowledge, for promoting progress, and for enabling man to relate to his environment, to accomplish his purposes and to resolve his conflicts".[1]

Having this in mind, the various problems associated with Government's various moves aimed at financing agriculture, it is the intention of this research to:

(a) Study and critically examine the current literature on agricultural financing with a view to gaining an insight into the roles and functions of the parties involved therein.

(b) Identify the problems of agricultural financing in Nigeria.

(c) Appraise the performance of the Agricultural Credit Guarantee Scheme Fund (ACGSF) in improving agricultural production over the years.

(d) Suggest agricultural financing policies as well as strategies to be adopted in the next millenium.

1. Osuala, E.C. "Introduction to Research Methodology" Africana-FREP Publishers Ltd, 1982

1.3 SIGNIFICANCE OF THE STUDY

By the end of the research, possible causes of the downward trend in agricultural lending, and by extension, agricultural production would have been appreciated fully.

Also attention of the parties involved in the execution of the ACGSF would have been drawn to the implications of their current practices with respect to the performance of the Scheme. It is the desire of this research to awaken them so as to achieve the desired goals and objectives of the Scheme in the most effective and efficient manner.

1.4 SCOPE OF THE STUDY

This study covers mainly the area of making agricultural credit/loans available to farmers through the ACGSF. It further limits itself to the activities of some selected banks vis-à-vis the ACGSF between 1987 – 1997.

1.5 LIMITATIONS OF THE STUDY

It is a known fact that financial institutions especially banks do not volunteer information easily. With this kind of atmosphere prevalent, therefore, it is not conducive for one to get as much information, authentic and variable, as one would have wanted. The facts stated herein, therefore, are subject to all human deficiencies possible.

CHAPTER 2

2.0 LITERATURE REVIEW

2.1 THEORIES OF AGRICULTURAL DEVELOPMENT

Economic development may be defined as a process by which a population increases the efficiency with which it provides desired goods and services, thereby increasing per capita level of living and general well-being. The process is a dynamic one – it involves constant change in structure and procedures of the economy.

In developed countries, where large and complex administrative structure and a high rate of capital formation are more readily available, growth tends to proceed more rapidly than in low-income countries. How the development of agriculture may help these low-income countries achieve higher levels of living and more rapid growth is examined below.

During the last few decades, economic doctrine with respect to the relative contribution of agricultural and industrial development to national economic growth has experienced a sharp transition. There has been a departure from an earlier "industrial fundamentalism" to an emphasis on the significance of growth in agricultural production and productivity for the total development process.

Consequently, a number of theories have emerged as to the best way to achieve agricultural development. Four of these theories are easily identifiable[2]:

- The Conservative Model
- The Urban Industrial Impact Model
- The Diffusion Model
- The High-Pay-Off Input Model

2. Miller, L.F. Agricultural Development in Low-income Countries, Macgraw-Hill New York, 1974

2.1.1 THE CONSERVATIVE MODEL

This model of agricultural development evolved from the advances in crop and livestock husbandry associated with the English agricultural revolution and popularized by Author Young et al in the early 19th century. This approach emphasizes the evolution of a sequence of increasingly complex land and labour intensive cropping systems, and the production and use of organic manure and physical facilities to more effectively utilize land and water resources. In this model, however, locational divergences in agricultural development were related primarily to differences in environmental factors. Development in the non-agricultural sectors was not brought into the agricultural development process. This shortcoming led to the emergence of the Urban Industrial Impact Model.

2.1.2 THE URBAN INDUSTRIAL IMPACT MODEL

This model was initially formulated to explain geographical variations in the intensity of farming and in the productivity of agricultural labour in an industrializing economy. The model holds that agricultural development can be accelerated by either increased industrial de-centralization or migration of surplus agricultural workers to more distant urban industrial centers. The proponent of this theory was Johann von Thunen.

2.1.3 THE DIFFUSION MODEL

The diffusion model holds that the route to agricultural development is through more effective dissemination of technical knowledge and a narrowing of dispersion in productivity among industrial farmers and among regions. The diffusion of better husbandry practices and of crop and livestock varieties has been a major source of productivity growth in agricultural. The limitations of the use of this model has resulted from the failure of technical assistance and community development programs based on the model to generate either rapid modernization of traditional farms, or rapid growth in agricultural output. Names associated with this model are Carl O. Sager and N.I. Navilov.

2.1.4 HIGH-PAY-OFF INPUT MODEL

Developed in the 1960s, this model was evolved as a result of the inadequacies of policies based on the diffusion model. According to this model, agricultural technology is highly "location specific". Also that most new techniques developed in advanced countries are not directly transferable to less-developed countries due to differences in climate and resource endowments. These techniques must therefore be further developed to make them appropriate for use the less-developed countries. The use of this model has led to the development of high-productivity grain varieties suitable for the tropics. Notable among these are rice, maize, corn and wheat. These varieties were found to be highly responsive to industrial inputs, such as fertilizer and other chemicals, and to more effective soil and water management. The agricultural policies based on the model have proved capable of generating a sufficiently high rate of agricultural growth. It does provide a basis for overall economic development consistent with modern population and income growth requirements. The high-pay-off input model was proposed by Theodore W. Schultz in 1964.

These theories have been very relevant in the development of agricultural programs especially for the developing countries. These programs have however succeeded in varying degrees from country to country. A lot of factors, peculiar to each country, account for this variation. Generally though, agriculture is still seen as a key to development in the low-income nations of the world.

2.2 FINANCING AGRICULTURE IN NIGERIA

The world food crises of 1972 – 74 had brought about increased recognition of the central importance of agriculture in the economic development of low-income countries. These countries lack the necessary capital and other vital inputs for development. However the Federal Government of Nigeria (FGN) had, even before that time, made some attempts at financing agricultural development. Here the 're-financing' facilities granted to a consortium of Banks and Acceptance Houses, under the commercial bill finance scheme, provides a good example.

Before 1964, financing agriculture was entirely borne by the then regional governments. Since then the Federal Government (FGN) has been an active participant in this regard. Government's spending on agriculture has been through direct financing as well as through involvement of public corporations such as Nigeria Agricultural Cooperative Bank (NACB), Agricultural Credit Guarantee Scheme Fund (ACGSF) of the Central Bank of Nigeria (CBN) etc. It should also be noted that the World Bank (IBRD) and the organized private sector specifically the commercial and merchant banks provide an important source of finance for agricultural production. For example between 1980-87 IBRD contributed N442.2 million or 33.3% of the entire Agricultural Development Projects' (ADPs) capital expenditure (CBN Annual Report, 1987).

2.2.1 DIRECT GOVERNMENT FINANCING

As stated earlier, it was not until 1964 that the FGN became actively involved in financing agriculture, even though not on a too impressive scale. The following table gives a picture of allocations made to agriculture by the four Development Plans:

Capital Allocation to the Nigerian Agricultural Sector in the Development Plans

Development Plan	Period Covered	Allocation to Agric (N m)	Total Capital Allocation (N m)	Agric as % of Total
1st	1962 – 68	156.8	1,353.6	11.6
2nd	1970 – 74	331.7	3,350.0	9.9
3rd	1975 – 80	3,090.0	43,312.0	7.1
4th	1981 – 8	8,827.5	70,276.2	12.6
	TOTAL	12,406.0	118,292.8	10.49

Source: National Development Plans (1st – 4th).

From the table it can be seen that in the first National Development Plan, Government's expenditure on agriculture was only 11.6% of the total capital expenditure for that period. This ratio fell to 9.9% and then to 7.1% in both the second and third plans respectively. The situation however improved, with the emergence of the civilian administration, with an allocation of 12.6% in the fourth

plan. This was in line with the policy statement that not less than 12% of the national capital resources must be allocated to agriculture.

Closely attached with this mode of financing is financing through loans acquired from the World Bank. This is a specialized kind of financing which in addition to the financing of cultivation of the agricultural produce, include infrastructural improvement, such as access road construction for the effective delivery of the produce to the market.

Agricultural financing under the World Bank (IBRD) assisted programmes are normally executed through the Agricultural Development Projects (ADPs). Here the IBRD provides a certain percentage of the financial requirement of the project while the FGN and the relevant State Government(s) provide the balance (counterpart fund). At times other non-governmental organisations do assist as well. The table below indicated that of the N1,326.5m spent as capital expenditure by the ADPs in Nigeria between 1980 and 1987, N442.2 (33.3%) came from the IBRD, N381.0m (28.7%) from the FGN, N442.2 (33.3%) from the State Governments and N61.1m (4.7%) from other sources.

	SOURCE									
	IBRD		FGN		STATES		OTHERS		TOTAL	
YEAR	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
1980	17.3	35.0	8.6	17.4	23.5	47.6	-	0	49.4	100
1981	30.1	25.9	29.2	25.1	56.9	49.0	-	0	116.2	100
1982	197.6	32.7	183.4	30.4	223.0	36.9	-	0	604.0	100
1983	17.1	23.2	37.5	50.9	19.1	25.9	-	0	73.7	100
1984	26.1	41.3	27.5	43.5	9.6	15.2	-	0	63.2	100
1985	48.8	32.7	34.6	23.2	43.4	29.1	22.4	15.0	149.2	100
1986	49.4	34.4	35.3	24.6	41.8	29.1	17.0	11.9	143.5	100
1987	55.8	43.8	24.9	19.6	24.7	19.6	21.7	17.0	127.3	100
TOTAL	442.2	33.3	381.0	28.7	442.2	33.3	61.1	4.7	1,326.5	100

Source: CBN Annual Report (1980 – 87).

As at December 1988 IBRD (World Bank) had committed a total of US$4,012.9m in loans to 69 projects in different sectors of the Nigerian economy, out of this US$1,460.5m (n 36%) was committed to 28 projects in the agricultural sector.

National Directorate for Employment is another area where government ventured to finance agricultural production directly. For example in the 'Agricultural Sector Employment Programme' (later, Rural Employment Programme) where the main activity is to 'boost food production and provide employment for graduate farmers and school leavers', over N70m was spent on loans to over 3,925 graduate farmers and 7,500 school leavers during the first six years aftet its inception in 1987.

2.2.2 FINANCING THROUGH PUBLIC CORPORATIONS

a) Nigerian Agricultural Cooperative Bank (NACB)

Since the commencement of its lending operations in 1975 NACB has evolved different lending schemes to meet various farming interests. In most cases, these schemes were designed to solve problems as noticed in the process of its lending operations.

At inception the on-lending scheme was in active use. Under this scheme efforts were concentrated on the extension of agricultural credit facilities to the small-holder population through such established on-lending agencies as the State Ministries of Agriculture, Cooperative Societies, River Basin Development Authorities etc.

When it became obvious that most of the on-lending agencies could not live up to the Bank's expectation, the Direct Loan Scheme (DLS) was adopted. Under this scheme the bank deals directly with the individual farmers, corporate bodies and farmers organisations without going through the on-lending intermediary.

However between 1973 and 1994 NACB has approved agricultural loans to the tune of N4,557.68m out of which N3,261.40m has been disbursed. And out of the amount disbursed only N2,100.52m has been repaid. The table below however gives a clearer view of the NACB loans situation.

For example it is clear that of all the loans granted between 1973-1994, 258,855 (89.1%) was granted under the small-holder scheme.

SUMMARY OF NACB TRANSACTIONS 1973 – 1994

Sub-Sector	Applications	Approvals (N m)	Disbursed (N m)	Repayment (N m)
Arable	890	358.72	309.48	211.14
Tree Crops	42	99.54	51.27	64.76
Horticulture	12	24.10	7.67	1.72
Mixed Farming	115	74.71	47.02	27.69
Cattle Fattening	344	66.15	34.85	17.98
Poultry	485	66.15	34.85	17.98
Other Livestock	154	26.01	12.57	7.31
Fishery	161	111.46	57.50	17.48
On-Lending	119	300.23	137.09	86.09
Agro-Allied	181	371.26	207.14	147.58
Agro-Services	70	639.28	492.46	355.64
Irrigation	7	397.99	251.08	64.83
Direct Marketing	3,806	738.95	467.77	463.73
Integrated Projects	105	23.94	31.86	31.04
Forestry	2	8.60	7.68	4.81
River Basins	12	60.00	60.00	7.97
Oil Palm	12	37.99	6.28	2.09
Special Projects	1,231	72.38	44.15	11.45
Small-Holder Scheme	258,855	861.08	787.62	410.14
Livestock Project	25,205	178.36	174.84	118.28
TOTAL	290,577	4,557.68	3,261.40	2,100.52

Source: SHS Division NACB – April 1995

b) **Agricultural Credit Guarantee Scheme**

Agricultural Credit Guarantee Scheme Fund (ACGSF) is another important source of agricultural financing. Under this scheme, loans and advances are granted by commercial banks for agricultural production and guaranteed up to 75% by the Fund. From its inception in 1977 up to 1997 a total number of 252,507 valued at N1,751.28m was guaranteed under the Scheme.

This Scheme (ACGS) which is the subject matter of this research will be discussed in details later.

2.2.3 OTHERS

Apart from the organised financial institutions, Nigerian farmers also resort to the unorganised institutions for credit. Here, the sources of funds are largely non-institutional. Business is usually conducted on a personal basis and is not subject to any standard procedure.

2.3 MONETARY AND CREDIT POLICY IN NIGERIA

The monetary and credit policies in Nigeria are closely tied to the nature and structure of the banking system. The banking system that prevailed in the country can be categorised into two – the pre-Structural Adjustment Programme (SAP) and the post-SAP eras. Prior to SAP in 1986, the Nigeria banking system was characterised by varying levels of regulation over time. Three overlapping phases are identifiable between the introduction of the first commercial bank in 1894 and SAP in 1986. These are, first, the "laissez faire" banking (1894 – 1952), second the 'limited' banking regulation (1952 – 1958) and third the 'intensive' regulation (1958 – 1986). The characteristics of each phase are implied in the name. However, the third phase is of great significance to the study. In 1985 the government of the day was of the strong view that controls arising from the statutory regulations and the CBN guidelines have resulted in rigid and regimented monetary and credit policies which were considered inefficient as they encouraged "sharp" banking practices and in some cases outright fraud. Under

this regime, interest rates, foreign exchange rates as well as sectoral allocations for credit were fixed, thereby emphasising direct monetary and credit controls.

At this point not only the monetary but also the fiscal policies were fraught with problems in implementation. The economy began to deteriorate. Consequently Nigeria sought refuge in the World Bank-IMF engineered SAP.

2.3.1 THE SAP DEREGULATION POLICIES

With the introduction of SAP in September 1986, the Nigeria banking system started to witness systematic deregulation measures, with the market forces playing vital roles in pricing and allocation of financial resources in the economy. Some of the measures include deregulation of interest rates, licensing and emergence of new banks, de-emphasis on sectoral allocations of credit, withdrawal of public sector deposits, the use of auction method in issuing treasury securities and the introduction of open market operations (OMO).

Consequently from 1987 the tight controls over interest rates have been removed to enable banks charge market rates of interest and also pay competitive rates to their depositors. Also by 1986 there was a complete elimination of lending rate differentials among economic sectors, which placed agricultural at a serious disadvantage. For example, in 1984 agricultural loans under the ACGSF was attracting between 4 per cent – 7 per cent while in 1988 it was between 15 per cent – 20 per cent (CBN Credit Guidelines, 1988).

Furthermore, the classification of the economy into sectors/sub-sectors for the purpose of allocating bank credits, which left banks with little and limited discretion, was gradually reduced, from eight in 1985 to four in 1986. These developments have given the banks the leverage to direct their lendings to other areas than agricultural production.

Even though the central monetary authorities seemed to have been vacillating over the deregulation measures since 1986, on the average, it has moved from initial 'complete' or 'total' deregulation to 'partial' deregulation.

Furthermore, the deregulation has involved some institutional changes. National Deposit Insurance Corporation (NDIC) was created to insure banks' deposits against bank failures (which was too frequent at that time) as well as to ensure sound banking policies through monitoring and supervision in conjunction with the CBN.

These economy-wide policy reforms have serious implications on the agricultural credit policies and implementation.

2.4 AGRICULTURAL CREDIT POLICY IN NIGERIA

The 1989 Bulletin of the Federal Ministry of Agriculture, Water Resources and Rural Development (FMOAWRRD) stipulated the cardinal objective of agricultural credit policy in Nigeria as to make adequate investment funds available to the agricultural sector at the right time, place and at such rates as will make returns for agriculture more attractive. And to date there is no shift of policy in this regard.

In pursuance of this policy objective, two major approaches have been adopted – first, broad structural changes related to fiscal and monetary policies and second, institutional changes in the organisations that provide agricultural loans.

2.4.1 ADJUSTMENTS IN FISCAL AND MONETARY POLICIES

The structural changes in fiscal and monetary policies may involve, among others:

(a) Increase in sectoral allocation of loans and advances. With the abolishing of sectoral allocation in 1996, however, this may not be tenable at the moment.

(b) Granting of grace periods or moratorium on agricultural lending.

(c) Revision of interest rates to induce funds for agricultural lending.

KASU

2.4.2 REORGANISATION OF LENDING INSTITUTIONS

Reorganisation of lending institutions may take the form of:

(a) Increase number of branches. For example in 1975 the Financial System Review Committee, at the instance of the CBN, recommended and the Federal Government of Nigeria approved the setting up of rural bank branches (under the Rural Banking Scheme (RBS) throughout the country, as a way of fostering banking habits and stimulating small scale lending.

(b) Review of share capital: in 1997 for example, the CBN raised the minimum paid-up capital for both the commercial and merchant banks from N50 million and N40 million respectively to N500 million and demanded compliance by 31st December, 1998.

(c) Abrogation of the requirement to tangible securities, such as certificate of occupancy, or collateral for agricultural loans procurement by small-scale farmers.

(d) Establishment of rural specialised banks (State Agricultural Co-operative Banks), with the Nigerian Agriculture Credit Bank where co-operatives and farmers' organisations shall take majority equity shares and the State Governments have minority shareholding. Here the SACB is to operate as on-lending institutions for channeling NACB and other banks to the farmers.

2.5 IMPLEMENTATION OF AGRICULTURAL CREDIT POLICIES

The onus of proper articulation of Nigerian agricultural credit policy objectives as well as their implementation falls on the Agricultural Finance Department (AFD) of the CBN. The Department was created in 1976 and took off in July 1977, about eighteen years after the CBN came into being. The AFD was established principally to administer the Agricultural Credit Guarantee Scheme Fund (ACGSF).

Today the responsibilities of AFD go beyond the operation of ACGSF. Such other responsibilities encompass rural finance, appraisals and commodities.

The department adopts broad strategies to achieve the credit policy objectives. Some of which include the use of annual monetary policy circulars, the Agricultural Credit Guarantee Scheme Fund (ACGSF), the Rural Banking Scheme (RBS), the Agricultural Development Projects (ADPs) in identification of borrowers and monitoring of loan projects, and linking Self Help Groups (SHGs) with banks.

In view of the prevalent experience of loan defaults among borrowers, these policy measures and instruments are also directed at minimizing the incidence of defaults. However, the research shall examine in greater details the activities of the ACGSF in the subsequent sub-sections.

2.6 THE AGRICULTURAL CREDIT GUARANTEE SCHEME

2.6.1 HISTORICAL BACKGROUND

Precisely the ACGSF owes its origin to the report of the National Agricultural Credit Study Group which carried out a national survey, in 1976, on the credit need of the small-scale farmers, who constitute over 90 per cent of the Nigerian farming population (IBRD Report, 1996). After it was discovered that this group of farmers had low access to banks' credit owing, largely, to their inability to provide collaterals and also the high risk associated with agricultural lending, the CBN was mandated to come up with a framework to share in the risk element so as to encourage banks to lend to agricultural activities. As a result the Scheme was established by Decree 20 of 1977.

2.6.2 OBJECTIVES OF THE ACGS

The ACGS was designed to serve the objective of enhancing credit delivery to small-scale-holder framers by way of guaranteeing the loans granted by commercial banks so as to encourage them to produce more food, for local consumption as well as export. Besides the enhancement of credit delivery, the Scheme also has some inherent non-quantifiable services such as advisory

services in the form of delivery of appropriate technology to the farmers by the personnel implementing the Scheme.

2.6.3 PROVISIONS UNDER THE SCHEME

For efficient implementation of the Scheme both the applicant (farmer) and the lending bank are expected to adhere strictly to the following provisions:

(a) Agricultural Purposes Covered by the Guarantee

It is provided that no loan shall be guaranteed under the Scheme unless such loan is utilized for such purposes as:

(i) establishment or management of plantations for production of rubber, oil palm, cocoa, coffee, tea and similar crops.

(ii) Cultivation or production of cereal crops, tubers, fruits of all kinds, cotton, beans, groundnuts, sheanuts, beniseed, vegetables, pineapple, bananas and plantain.

(iii) Livestock production, including cattle ranching, piggery, poultry and fish capture and storage.

(iv) Farm machinery and live services.

(v) Other agricultural enterprises such as integrated agricultural projects, incorporating production and processing, provided that the primary product element accounts for not less than 50 per cent of the raw materials required by the factory.

(b) Securities to be offered to Banks

For any loan to be guaranteed under the Scheme at least one of the following must be offered as collateral:

(i) A charge on land which the borrower holds a legal interest, or a right to farm or a charge on assets on the land including fixed assets, crops or livestock.

(ii) A charge on movable property of the borrower.

(iii) A life insurance policy, a promissory note or other negotiable securities.

(iv) Stock and shares.

(v) Any other security acceptable to the bank.

(vi) A personal guarantee.

(c) Guarantee Cover Limits and Interest Rates

Here the maximum liability of the Fund is 75 per cent of the amount in default subject, in the case of loan to individual to a maximum of N100,000 and in the case of a loan to cooperative society or limited liability company, to a maximum of N1.0 million.

The interest rate chargeable by the banks on credit facilities provided under the Scheme was, before the introduction of SAP in 1986, being prescribed by the Minister of Finance. At that time loans to agricultural sector attracted concessionary interest rate charges as stipulated by the monetary authorities (CBN and the Minister of Finance). For example while the lending rates within the economy oscillated between 6 per cent to 9 per cent between 1978 – 1984, loans under ACGSF attracted between 4 per cent – 7 per cent within the same period.

(d) Moratorium

Depending upon the nature of loan, certain periods are allowed to elapse before repayments could commence:

(i) For small-scale farmers growing staples and seasonal crops such as grains, the grace period shall be one year.

(ii) For loans to farmers of cash crops with relatively long gestation period such as oil palm, the grace period shall be four years.

(iii) For medium and large-scale mechanised farming involving large capital outlay, the grace period shall be five years.

(iv) For ranching, the grace period shall be seven years.

Borrower under (I) and (ii) may choose to start repayment before the stipulated grace period expires.

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2.6.4 ARRANGEMENTS FOR GUARANTEE

(a) Circumstances Under Which Guarantee May Be Given

Guarantee may be given to any loan granted by a bank or jointly with another bank or other banks for agricultural purposes in accordance with the provisions of the ACGSF Decree 1977. Guarantee of such loans will, for the time being, be granted automatically subject to the fact that the Fund will have the right to inspect the books of accounts of the bank in respect of the guaranteed loan and that the bank will secure for the Fund by obtaining suitable undertaking from the borrower, the right to inspect the establishment in respect of which the loan has been granted and to call for or examine all details of the guaranteed account, if considered necessary by the Fund.

In case of doubt as to whether an application for a loan is in accordance with the Decree or not, the bank should seek clearance from the Fund. Where however a bank granted a loan to a farmer which was guaranteed by the Fund and it resulted in claims being paid by the Fund, such a bank should not grant that borrower any fresh loan under the Scheme without prior clearance from the Fund.

(b) Application for Gurantee

Application for guarantee under the Scheme should be made by banks to the Fund on Form ACGSF/1 to be numbered and completed in triplicate. Two copies of the Form should be forwarded to the Controller of the Central Bank branch or Currency Officer of the Central Bank Currency Centre in the State in which the bank applying for guarantee is located or as may otherwise be directed, not later than two weeks after the loan has been granted.

(c) **Issue of Guarantee Certificate**

When the Fund receives an application from a bank and becomes satisfied that all the conditions of the guarantee are met, it will issue a certificate in the prescribed form (Form ACGSF/2) to the bank. The Fund shall not be required to sign any other document in this respect.

(d) **Enhancement/Reduction of Guaranteed Credit Facility**

If a bank grants an increase in a loan in respect of which a guarantee has already been given by the Fund, it must advise the Fund as soon as the increase is granted. If this increase is more than 25 percent of the initial loan, the bank must obtain prior approval of the Fund. This should be done on Form ACGSF/3 which must be numbered and sent to the appropriate office in duplicate. An endorsement to this effect will be issued by the Fund on Form ACGSF/5. Where however the total loan eventually drawn by a borrower is lower than the amount granted by the Fund, the bank shall advise the Fund of the new amount which shall now be regarded as the guaranteed loan.

(e) **Extension of a Guarantee**

Where the term of a guaranteed loan facility is to be extended, the bank will, after fully satisfying itself of the justification for such extension, advise the Fund of its intention accordingly on Form ACGSF/4 in duplicate. Such advice should be submitted at least one month before the expiry of the existing guarantee. An endorsement to this effect will be issued on Form ACGSF/5.

(f) **Variation in Other Terms and Conditions of a Guaranteed Loan**

Where a bank approves a change in any of the other terms and conditions governing a loan in respect of which a guarantee has been issued, it must advise the Fund as soon as such approval is given.

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Also whenever a guaranteed advance is repaid or the credit facility is otherwise discontinued, the bank should advise the Fund immediately, giving particulars of the guarantee certificate.

(g) **Invoking the Guarantee**

The guarantee may be invoked in the following circumstances:

(I) Temporary default on the instalment repayment of a guaranteed loan need not be reported to the Fund if the bank has no intention, merely on the basis of such a default, either to discontinue the facility or call up the loan.

(II) If however, the bank does not succeed in its effort to regularise the account and calls up the loan, it should serve the Fund with a "Notice of Default" by completing Form ACGSF/6 in duplicate copies and the correspondence between the bank and the customer since the default was noticed should be attached in duplicate.

(III) Where a default relates to a lump sum repayment or the last installment repayment of a loan, the bank should serve the Fund with "Notice of Default".

(IV) After giving "Notice of Default" in the prescribed manner, the bank should make further efforts as it thinks fit to recover the amount in default from the borrower or his sureties, if any, and may, for that purpose, dispose of any security obtained in respect of the loan if possible.

(V) If however any balance remains outstanding after the above step has been taken, or where the recovery of any amount outstanding is impracticable, the bank may apply to the Fund for payment on "Guarantee Claim" Form ACGSF/7 in accordance with the terms of the guarantee.

(VI) If within six months from the date of the receipt of "Notice of Default" no "Guarantee Claim" Form is received by the Fund, it will be presumed that the bank has recovered its loan and the Fund shall be deemed to have been discharged from its liability under the guarantee.

(VII) A claim under the guarantee should be submitted in duplicate by the Head Office of the bank to the Fund at the Head Office of the Central Bank on the prescribed Form (ACGSF/7). In order to facilitate prompt settlement of claim, the bank should ensure that the application is complete in all respects and that the pre-requisites as set out in the Scheme are duly complied with.

(VIII) If the claim is in order, the amount payable under the guarantee will be remitted to the Head Office of the claiming bank by a crossed cheque or draft. A receipt for the amount so paid should be issued immediately by the claiming bank.

(IX) Upon a payment being made as provided for above, the Fund shall be deemed to have been discharged.

(X) A claim under the guarantee is limited to 75% of the loan granted subject to the maximum of N100,000 in respect of loan to an individual and N1.0m in respect of cooperative society or limited liability company.

(XI) The balance of a loan outstanding in respect of which a claim has been paid by the Fund must not be written off by the bank without the specific consent, in writing, of the Fund.

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(XII) The Fund, if considered necessary, will publish names of defaulters in the newspapers

(h) **Procedure Regarding Sharing of Recoveries**

All recoveries made by bank on an account in respect of which it has invoked the guarantee shall be shared between the Fund and the bank in the ratio in which they shared the loss. A statement showing recoveries made so far on the account after invoking the guarantee should be submitted to the Fund while remitting the Fund's share of such recoveries. Such share should be remitted to the Fund not later than the end of the month in which it is received. Where this is not possible because it is received around the end of the month, it must be forwarded to the Fund in the following month.

(j) **Submission of Returns**

Banks will submit to the Fund progress reports as in Form ACGSF/8 showing particulars of the guarantee advances as at the end of December each year. The report should reach the office of the Central Bank in the State not later than 28 days from the end of the year.

The Fund may call for such other returns from time to time as it may require.

2.6.5 THE CONCEPT OF SELF HELP GROUPS (SHGs)

Because all along the flow of funds had been one-way, which is from the banks to the borrowers, there was need to create a two-way flow of funds, that is to say, credit from financial institutions to the borrowers and savings from borrowers to financial institutions.

Savings which were recognised by the study conducted by the German Agency for Technical Cooperative (GTZ) and the African Regional Agricultural Credit Association (AFRACA), as the missing link in the rural financial system existed

in the form of rotatory savings and credit associations in all parts of Nigeria. These are known by various names – Adashi, Esusu, Ajo, Susu, etc.

Their mode of operation is that a group of people living in a contiguous environment and sharing similar aspirations gather voluntarily to commence period savings. The mobilized savings are made available as credit to each member in rotation. In other instances, savings are shared at festive occasions to the members or t the beginning of the farming season for the procurement of farm inputs.

To improve the operations of the informal financial system, the need arose for the informal savings group to be adapted to the conventional banking institutions (formal financial system) without disrupting the status quo. The method of adaptation was to introduce the conventional banking institutions as a partner and treasurer to the local savings groups. In this regard, the periodic savings so mobilized are expected to be deposited in a joint savings with the partner bank within the community. After saving with the partner bank for at least six months on a regular basis, the group members are provided with loans for their agricultural activities by the partner bank in the savings/loan ratio of 1:2 or 1:6 or more. While the loan granted lasts, savings by the SHGs members continue. As soon as the amount granted is repaid, the loan is renewed. The amount saved is expected to improve the collateral base of the group.

The advantages of this arrangement includes among others:

(a) Inculcating banking habits among the rural communities.

(b) The accumulated savings/loans with the banks could serve as collateral for loans granted to the SHG members.

(c) Banks are assured of timely repayment of loans

(d) A reduction in transaction cost of administering credit to a group instead of numerous individual borrowers.

(e) A reduction in interest rate charged for loans as the effective rate of interest paid would be the difference between savings and lending rates.

(f) A reduction in default rate as savings mobilized could be used to offset outstanding loans when need arises.

(g) The likelihood of SHG's savings growing to a stage where members could loan their own funds with the partner bank to members; and

(h) An eventual transformation of informational rotatory savings and credit into formal rural financial system.

Because of the advantages inherent in this arrangement, the CBN began the campaign for the promotion of lending through informal groups in 1987. About the same period, credit models targeted at groups had been designed and introduced by some of the lending banks. For example, Joint Liability Scheme (JLS) of UBA Plc, the Group Lending Scheme (GLS) of Afribank Plc, the Community Farming Scheme (CFS) of First Bank of Nigeria, etc. This promotional campaign involves identification of a close knit group of potential clients by the CBN and other participating commercial banks. Under this arrangement, the groups are expected to be responsible for conducting their own assessment of the needs of the members after which it presents a common application. Each group is also expected to monitor its members and make collective payment.

This programme was started in April 1992 and all participating SHGs in agricultural production are covered by the ACGS.

2.7 THE FUND

The Decree provides for a take off fund of N100 million subscribed to by the Federal Government of Nigeria (60 per cent) and CBN (40 per cent). The Fund was to guarantee up to 75 per cent of loans granted for agricultural purposes that are in default less the amount realized from the sale of collateral.

The Fund is under the management of ACGSF Board with the CBN as the managing agent for the administration of the Scheme. The Decree establishing

the Fund bars it from diversifying its fund into other investments besides treasury bills.

To the 31st December 1997, however, the paid-up capital of the Fund remained at N85.5 million. This has been the position since the inception of the Scheme, in 1978. However, owing to investments of the Fund in the Nigerian Treasury Bills (NTBs), its resources had been increasing over the years. From N322.3 million in December 1996 it increased by N26.8 million (5.2 per cent) to N339.1 million in December 1997 and by N37.9 (11.2 per cent) to N377 million in December 1998.

2.8 LOANS GUARANTEED UNDER THE SCHEME

From its inception up to December 1997 the Scheme guaranteed a total of 252,507 loans valued at N1,751.29 million (ACGSF Annual Report 1998). But since the Scheme's target beneficiary is the small scale farmer, the following tables give a clearer view of the beneficiaries from such loans and for what purpose:

Loans Guaranteed by Category of Borrowers

CATEGORY	LOANS GUARANTEED		VALUE (N)	
	NUMBER	%	AMOUNT (N m)	%
Individual	248,756	98.5	1,257.46	71.8
Informal Group	24	0.1	7.52	0.4
Cooperatives	2,244	0.9	145.98	8.3
Company	1,192	0.5	340.32	19.4
TOTAL	**252,507**	**100.00**	**1,751.28**	**100.00**

Source: ACGSF Annual Report 1998.

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Loans Guaranteed by Purpose

PURPOSE	LOANS GUARANTEED		VALUE (N)	
	NUMBER	%	AMOUNT (N m)	%
Livestock	10,897	4.3	327.41	18.7
Fisheries	2,714	1.1	33.22	1.9
Mixed Farming	624	0.2	22.44	1.3
Food Crops	216,240	85.6	1,181.00	67.4
Cash Crops	11,561	4.6	94.37	5.4
Others	10,471	4.1	93.03	5.3
TOTAL	**252,507**	**100.00**	**1,751.28**	**100.00**

Source: ACGSF Annual Report 1998.

From the two tables above it is glaringly clear that over the years, of the total loans guaranteed by the Scheme the bulk of it (98.5%) went to individual farmers. Also of the total loans guaranteed under the Scheme, 85.6% was utilized for producing food crops. So by analogy it can be said that almost all the loans guaranteed by the Scheme were granted to individual farmers and that these farmers utilized most of it in the production of food crops.

2.9 PROBLEMS OF ACGSF

The problems associated with the Scheme's operation and administration can be viewed from four broad perspectives:

- Problems associated with the farmers
- Problems associated with the lending banks;
- Problems associated with the managing agent; and
- Problems associated with Government policy.

(i) **Farmers Associated Problems**

Many practical problems of the Scheme arise from the farmers who are the beneficiaries of the loans.

The farmers do not have clear titles to lands, which could serve as collateral. The bureaucracy involved in obtaining a certificate of occupancy goes to compound this problem further. But even though the Board of ACGSF and the CBN (managing agent of the Fund) have empowered the lending banks to grant loans up to N5,000 to small scale farmers without tangible security, loans when granted are hardly recovered.

Illiteracy of most farmers constitutes a major stumbling block to the easy flow of funds to the agric sector through the Scheme. Farmers' inability to read and/or write makes it difficult for them to complete the necessary forms required by the lending banks. Even when such farmers are assisted by others to complete the forms, the terms of loans may not be fully understood and appreciated.

Closely linked to loan default is the lack of managerial ability of most farmers. The success of farm is a function of the managerial ability of the farmers. Loans are often misused by farmers who do not possess reasonable knowledge of financial management.

(ii) **Lending Banks**

Despite the setting up of NAIS aimed at boosting the confidence of the lending banks on the Scheme, their participation in giving out loans was not encouraging. Their reason being non-payment of past loans. Closely associated with the repayment problem is the lack of adequate and competent personnel to supervise and monitor those loaned facility and even where such personnel exist they do not carry out their job diligently.

Late disbursement of loans results in late planting. And for a time-bound facility like agriculture, the consequence of this is often devastating. Poor harvest is often the result. This goes to compound the repayment problem.

Lending banks often delay remittance of the premium in respect of cover policy, bought from NAIC, on behalf of the borrowers. This leads to non payment of insurance claims. Sometimes even if such premiums are remitted, delays in notification of losses are experienced thereby undermining the performance of the Scheme.

Despite the requirement for rural branches to be opened throughout the country, activities of most of the banks are concentrated at the urban areas. For example, out of the total of 2,107 branches of the commercial banks in the country, only 557 or 26.4% are rural based (see appendix.2....). Again even where such a branch exists in a rural area, farmers from that area must travel to an urban branch before security any facility.

Draconian interest rates being charged by the banks are a disincentive to the farmers and therefore affect the success of the Scheme.

Documentation with respect to processing of loan applications, notice of default, default claim settlement are often delayed unnecessarily. This results in late disbursement of loan, failure in settling claims by the Fund, etc.

(iii) **Problems Associated with the Managing Agent**

Misinterpretation of the provisions of the guarantee is a problem especially among the lending banks. This further erodes the already lean confidence these banks have in the Scheme.

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The conditions set by the CBN before default claims are settled are inimical to the performance of the Scheme. Issuance of guarantee certificates sho9uld be left to be carried out by the lending banks.

But then the ACGSF Board which is saddled with the responsibility of administering the Fund has not been reconstituted since its dissolution in 1994. As a result a review of some inhibiting clauses in the ACGSF Decree for maximum efficiency cannot be carried out.

(iv) **Problems Associated with Government Policies**

The IMF-packaged SAP, and its attendant conditionalities, is inimical to the realisation of the objectives of the ACGSF. For example, while the interest rate charges for agricultural production remained consistent and low between 1978 – 1986, ranging between 4% - 9%, with the introduction of SAP the figures rose dramatically. For example in 1986 the prime lending rate was 10.5% while in 12989 it was 25.5% and it was 36.1% in 1993 (see appendic.1..). Another condition which seriously affected the Scheme was the removal of subsidy on fertilizer and other farm inputs.

CHAPTER 3

3.0 METHODOLOGY

3.1 RESEARCH DESIGN

This research which is research-oriented is conducted in such a manner as to derive necessary information/data essential for arriving at meaningful conclusions

Since the research aims at appraising the performance of ACGSF, efforts were directed at identifying the level of participation of the banks in the Scheme vis-à-vis loans disbursement and recovery. It has been chosen in this research to survey as many banks as possible with the aim of establishing the effectiveness of the Fund in the settlement of default claims. To establish this, experiences by all the actors of the Scheme will be considered and compared with the overall performance of the Scheme over the years.

3.2 SAMPLE SELECTION

The decision to incorporate sampling in the methodology of the research is in order to reap the merits that go with it. These include, among others, attaining greater speed in the conduct of the research, obtaining higher level of accuracy at the end of the research, to crown it all, conducting the research at a reasonable cost. Undoubtedly it is difficult if not impossible to study and analyse each and every bank in the country vis-à-vis ACGSF. Therefore if a good research design is executed, and choice is made of key subjects from the population for analysis, then generalizations can be made from the outcome of the subjects analysed thereby indirectly allowing for the achievement of greater scope in conducting the research. Of course, less bulky and qualitative information allows for both cost and time savings and therefore allow for more accurate conclusions.

Rather than carrying out the sampling by random, stratified or any other known methods, a purely systematic and effective sampling method was used. The method used was in choosing the 'big-three' and any other bank for analysis. This method is systematic because the 'big-three' chosen represent the backbone of banking business in the country. They are the ones that annually report huge profits and therefore will have huge loanable funds. The other sample chosen is with a view to having an insight into the activities of the smaller banks vis-à-vis ACGSF.

3.1 DATA COLLECTION AND PRESENTATION

The collection of data will be done in such a manner that the effect of restrictive attitude to information disclosure shall be minimized.

The data upon which the greater part of the analysis was dependent was obtained from the publications relating to the ACGS of both the agricultural finance department of the CBN and the agricultural credit departments of the United Bank for Africa, Union Bank of Nigeria, First Bank of Nigeria and Habib Nigeria Bank. It is from these reports that variables analysed in this research were obtained. Reports covering ten years – 1987 to 1997 – were chosen for analysis in order to have the most current data upon which to make appropriate analysis and arrive at reasonable conclusions.

The presentation of data in this research combines a number of techniques. These include tables, charts and statements. The statements were necessary in view of the fact that interview was incorporated in the data gathering procedure. Most importantly tables and charges will cease to have any meaning if statements were not used to explain what they stand for.

3.2 VARIABLE SELECTION

For the purpose of critically appraising the effects of the ACGSF in stimulating agricultural lending, the following variables have been selected for use singularly, jointly and severally:

(i) Interest rates

(ii) Number and Value of Loans Guaranteed

(iii) Repayments

(iv) Default claims settlement

CHAPTER 4

3.0 DATA PRESENTATION AND ANALYSIS

Data is herein presented and analysed in a manner commensurate with the methodoly used. That is, the presentation and analysis will be in the following order:

3.1.1 Interview

3.1.2 Secondary Data.

The responses of the people interviewed are summed up and conclusions drawn. The relevance of the interview results will be evaluated in the face of the experiences of some banks and other interest groups in the ACGS.

4.1 INTERVIEW

In order to strike a balanced view and, by extension, a more accurate conclusion, interview was conducted of some officials of some lending banks and also some farmers. A total of twenty-four people were interviewed. The list of interview respondents is provided in the table below:

Table 4A

S/NO	SOURCE	NO. OF RESPONDENTS
1	Central Bank of Nigeria	2
2	First Bank of Nigeria	3
3	Union Bank of Nigeria	3
4	United Bank for Africa	3
5	Habib Nigeria Bank	3
6	Farmers	10
	TOTAL	**24**

The bank officials interviewed are experienced bankers from different branches within Kaduna State, while the farmers belong to the small-scale category of the farming population.

The responses revealed that even though 100% of the small-scale farmers knew of the existence of financial assistance, of one form or the other, being provided by

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the banks, only 60% knew of the existence of the ACGS. 50% of the respondents have benefited from the ACGS on an average facility of less than N5,000. And 100% of the beneficiaries are of the view that the size of the loan is too inadequate to stimulate any growth in agricultural production.

The responses from the bank officials revealed that the commercial banks are polarised in their assessment of the scheme – 75% consider the scheme a failure while 25% gave it a pass mark.

All the respondent bank officials argued that their banks have functional agricultural credit departments that are being manned by competent officers.

The responses of the bank officials identified the following events as 'critical' in the operational cycle of any lending facility:

1. Loans (application) appraisal
2. Size of the loan
3. Interest rates
4. Timely disbursement (if time bound)
5. Monitoring and supervision and, of course,
6. Repayment

Specifically to the ACGS, they identified additional events as critical to the success of the ACGS. These include:

1. Timely processing of Guarantee Certificate
2. Timely processing/settlement of default claim, and
3. Timely processing/settlement of insurance claim.

In the face of the polarised opinions with respect to the general performance of the ACGSF, attempt will later be made to evaluate the extent to which the events enumerated above are relevant with regard to the experiences of some of the banks in the selected sample and also the other interest groups to the ACGS.

4.1.1 EXPERIENCES OF A FARMER ON ACGS

In a paper presented during the 14th Annual Conference of Agricultural Credit Officers of the Central Bank of Nigeria in 1993, a farmer gave an account of his experience on the ACGS thus:

According to this farmer, the problems of the Scheme are in the areas of small size of the loan, high interest rates and unfavourable repayment timing. Other areas which are not directly traceable to the Scheme are high cost of input and low price of farm produce.

Table 4B

YEAR	AMOUNT (N)	INTEREST RATE (%)	MONTHLY INTEREST PAID (N)	MONTHLY REPAYMENT (N)	TOTAL MONTHLY REPAYMENT (N)	RESIDUAL BALANCE AFTER HARVEST (N)
1988	3000	18	45	150	195	1500
1992	3000	28	70	300	370	-
1993	5000	35	146	500	646	-

Source: Report on Conference of ACOs 1993.

Note:

(1) Repayment in 1988 was at 5% while the residual balance to be paid after harvest was 50%

(2) In 1992 and 1993 repayment was evenly spread within 10 months.

According to the farmer the area of greatest difficulty is the size of the loan granted to him. The loan facility granted is just a fraction of the total investment/requirement. Table 4b indicates that the farmer was granted N3000 in 1988 and the same N3000 in 1992 despite the hike in the interest rate by 56%. Even though the loan was increased to N5000, the interest payable was still very high – N1750 or 35%.

According to the farmer the repayment should be allowed to start only when the farm does not require further investment. "If a farmer exhibits seriousness in utilizing the loan accordingly, then his attention should not be diverted through deductions from his salary while he has not started reaping any benefit from such

investment. Again, the first six months are very crucial to the farmer. It is during this period that utilization of resources are maximized so the higher his disposable income, the higher his capacity utilization and thus the higher his level of efficiency."

It can be seen in table 4b that the three facilities were each repaid in one year. However the burden of repayment was too much in 1992 and 1993. When the repayment figures for 1988 and 1992 are compared, it can be seen that the farmer was paying about 190% of what he was paying in 1988.

Table 4C – Official vs. Market Price Variation for some selected years in Kaduna State

YEAR	TYPE	OFFICIAL PRICE (N)	MARKET PRICE (AVE. N)
1988	NPK/UREA	17.50	37.50
1992	- DO -	40.00	150.00
1993	- DO -	90.00	260.00

Source: CBN C.A.C.O. Report 1993

According to the farmer, one of the most apparent impediments to the progress of a small-scale farmer is high cost of farm inputs, particularly fertilizer.

It should be noted that the official price of UREA/NPK/DAP was N10 and the market price was N12 (i.e. including a mark up of 20%). But according to table 4c, in 1988 the official price was N17.50 while the market price was N37.50, thus revealing an increase in variation of rates from a mere 20% to over 100% in two years. The official rate for 1992 was N40 and the market price was N150, a variation of 275%. It is a fact hat prices of fertilizer, like other commodities, are highest when they are most needed.

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In my view the amount being granted especially to small-scale farmers is inadequate in the face of high cost of inputs.

4.1.2 EXPERIENCES OF UBA ON ACGS

In a paper – "Stimulating Growth in Lending under the ACGS" – presented at the 16th Annual Conference of the Agricultural Credit Officers of the CBN in 1995, the UBA highlighted its experience thus:

(A) – LENDING, REPAYMENT AND CLAIMS ON ACGSF

Table 4D– UBA Total Lending to Agriculture

YEAR	AMOUNT (N000)	% OF TOAL
1991	713,000	12.53
1992	914,000	16.06
1993	921,000	16.18
1994	1,297,000	22.78
1995	1,847,000	32.45
TOTAL	**5,692,000**	**100.00**

Table 4E – Performances of UBA under ACGS

YEAR	AUTHORISED (N000)	DUE FOR PAYMENT (N000)	REPAID	
			(N000)	%
1991	260,548	178,672	171,663	96.0
1992	260,298	178,928	22,152	18.5
1993	245,667	242,996	21,598	13.0
1994	187,421	352,391	33,097	9.3
1995	216,950	258,494	43,181	17.0
TOTAL	**1,170,884**	**1,211,481**	**312,691**	

Source: UBA (ACGSF), 1995.

From the foregoing tables (4d and 4e) it can be seen that the average ratio of facilities guaranteed under the Scheme to the total lending to agriculture is 21%. This is not a bad showing according to the bank.

The respon:es revealed that even though 100% of the small-scale farmers knew of the existence of financial assistance, of one form or the other, being provided by

Table 4F – UBA Total Claims on ACGSF (1978 – 1995)

CLAIMS MADE			CLAIMS SETTLED		
NUMBER	AMOUNT (N000)	%	NUMBER	AMOUNT (N000)	%
670	42,182.3	9.0	60	1,168.5	2.8

Source: UBA (ACGSF), 1995.

From table 4F it can be seen that the extent to which the UBA's claim on the ACGSF was settled in volume and value was 9% and 2.8% respectively.

According to the bank the last time that its claim was settled by the Fund was in March 1993.

(B) – STRATEGIES ADOPTED TO ACHIEVE INCREASED LENDING

To achieve an all-embracing agricultural lending to the various segments of the farming population, UBA introduced a number of schemes to cover grassroots farmers who could not have easy access to farm credit because they cannot proffer acceptable collateral. Some of these schemes are:

(i) **The Small-Scale Farmer Credit (Joint Liability) Scheme**

The scheme was designed to reach small-scale farmers who ordinarily will require facilities of N5,000 and below for those who have difficulties in obtaining farming loans principally because they cannot provide security. Under this scheme the farmers are expected by the bank to organize themselves into informal groups of manageable sizes before facilities can be extended to them. The bank assumes that with the effect of group/peer pressure in a normal traditional village setting, recovery of such facilities would be greatly achieved. Here the guarantee of the CBN is provided to the farmers under the groups on individual basis.

Table 4G – UBA Small-Scale Farmer Credit Scheme

Cumulative to March 1995)

YEAR	NUMBER	DISBURSED (N000)	AMOUNT DUE (N000)	REPAID	
				(N000)	%
1991	31,698	87,364	55,158	18,089	32.8
1992	35,334	101,535	71,931	25,853	35.9
1993	30,134	87,423	60,612	23,663	39.0
1994	40,512	87,400	69,570	32,378	46.5
1995	23,166	81,205	86,794	21,187	24.4
TOTAL	160,844	444,927	344,065	121,170	[illegible]

Source: UBA – ACGSF, 1995

From the above table it can be seen that on the average out of the total loan granted under this scheme only 35.72% of the amount due was repaid over the period.

(ii) **Credit Scheme for Rural Women**

According to the bank this is a follow up to the small-scale farmers scheme which aims at tapping the hidden potentials of rural women and bringing such to the limelight through making credit available to them. The scheme was a fine tuned version of the 'Joint Liability' with the hope that women will make more honest borrowers. Farming projects under the scheme were also covered by the ACGSF.

Table 4H – Performance of Credit Scheme for Rural Women

(Cumulative to March 1995)

YEAR	NUMBER	DISBURSED (N000)	AMOUNT DUE (N000)	REPAID	
				(N000)	%
1991	8,010	21,856	15,857	5,312	33.5
1992	8,314	22,849	21,159	5,430	25.7
1993	6,821	20,203	14,783	7,168	48.5
1994	5,861	18,824	17,737	5,292	29.8
1995	5,376	15,972	16,555	5,669	34.2
TOTAL	34,382	99,704	86,091	28,871	

Source: UBA – ACGSF, 1995

It can be found from the table above that on the average only 34.4% was repaid out of the total amount due for repayment over the period.

(iii) **Functional Agric Credit Department**

According to the UBA it played a pioneering role in the establishment of Agric Credit Department and recruitment of staff with relevant background to assess applications and also to supervise all financed agric projects throughout the Federation. The Bank's strategy of deploying at least an Agric Credit Officer per State and some special agric areas like Mambila Plateau was substantially achieved.

AASUIM IBRAHIM LIBRARY

(iv) **Others**

The Bank made several attempts at establishing several other schemes such as co-operation with State and Local Governments on farming credit, salary-earners-agric-credit scheme, outgrowers-credit-scheme etc. but their take off and operation were checkmated by poor performance of already existing schemes.

(C) PROBLEMS

UBA identified that the problems encountered with the scheme were being caused by all the stakeholders – farmers, lending banks, the Government and the ACGSF – in the scheme. However it blames the CBN/ACGSF for most of the problems.

In conclusion UBA has this to say" "So generally, looking at the profile of our investment in agricultural lending, the recovery rate and the response of the ACGSF to our guarantee claims, it is obvious that the story of the ACGS is not one of much success by the UBA experience." It went further to say "We are in business to make profit and be accountable to our shareholders. We did not go into agricultural lending only to satisfy the monetary and credit policy guidelines but with genuine intention to improve agriculture in all its ramifications believing same to be the foundation of solid economic platform on which other economic activities (banking inclusive) should revolve."

4.1.3 EXPERIENCE OF HABIB NIGERIA BANK

Table 4J – HNB Loans Guaranteed Under ACGSF – 1989 – 1993

SEASON	NO. OF GROUPS	NUMBER OF FARMERS	AMOUNT OF LOAN (N)	REPAYMENT (%)
1989/90	1	17	57,000	100
1990/91	15	212	547,5674	100
1991/92	23	299	1,909,500	100
1992/93	36	671	3,531,400	98.7
1993/94	45	972	6,043,000	Not due
	120	**2,171**	**12,088,474**	

(a) **Performance in the ACGS**

Looking at table 4J above, one can see a streak expansion of both the loan volume and value. In the second year (1990/91 season), the volume rose from 17 to 212 or 1,147% while the value rose from N57,000 to N547,574 or 861%. In the third year rise in volume from 212 to 299 or 41% attracted a rise in value from N547,574 to N1,909,500 or 249%. In the fourth year (1992/93 season) the volume rose from N1,909,500 to N3,531,400 or 85%. During the fifth year (1993/94 season), the volume rose from 671 to 972 or 45% while the value rose from N3,531,400 to N6,043,000 or 71%. Also the average repayment rate is 99.67%.

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According to the Bank the result enumerated above was made possible as a result of the personalised services the Bank renders to their farmers, and the fact that most of the farmers endeavoured to meet their own part of the obligations as they fell due in the quest to ensure continued cordial relationship.

"Since the commencement of operations of the ACGS under our agricultural credit sector lending in 1989, the Bank has been providing full range of banking services tailored to the needs of all categories of farmers, emphasising service and professionalism. We place high premium on personalised customer services irrespective of social and financial status of client. As a surest means of delivering credit to the peasant farmers the requirement of security collateral are either waived or reduced to a minimum, depending upon the circumstances. This approach has achieved a high degree of success. Since the inception of the scheme in 1989 a total of N70.432 m was granted to 4,925 farmers and are happy to report that we have been able to achieve almost 100% recovering during the period".

(b) **Strategies**

HNB is a novelty in agricultural credit programme. According to the bank it has achieved a very modest and clear change in the lives of its clients through concerted efforts on both the part of the bank and the farmers for the success recorded. Some of the strategies adopted are:

(i) **Bank's Concept of Smale-Scale Farmer**

The bank recognises a peasant farmer as a productive factor and treats him with dignity. It recognises him as a producer that has the means of production but has no tangible collateral to offer.

(ii) **Timeliness**

According to HNB timely disbursement of lending facilities is a central factor in determining the repayment rate in agric credit. The bank does its best to ensure that farmers do not suffer any hardship in an effort to secure

loan. As a result it made it its guiding principle to ensure that maximum period for processing of loan request do not exceed two weeks, except where additional informations are required. And also to ensure the maximum number of trips undertaken by the officials of our farmer groups is limited to three (3). First, for delivery of the loan request. Second, for disbursement of the first installment. And third, for disbursement of the second installment.

(iii) **Joint Liability**

Group responsibility has been found to be an important factor where peer pressure makes a mark in the loan recovery drive. It also compensates for lack of collateral to be offered by this category of farmers.

(iv) **Extension Service**

This involves passing on to our farmers, information that are likely to improve their agricultural production process during our field trips. To further strengthen our commitment to better farming practices, HNB sponsors printing of extension bulletins and guides on various crops and animals in partnership with National Agricultural Extension and Research Liaison Services (NAERLS) at no cost to them.

(v) **Project Monitoring**

According to HNB, funds disbursed without monitoring are as good as investing in an unproductive venture. The bank takes adequate care (in terms of logistics) of its field officers, who in turn ensure that loans disbursed under the scheme are effectively monitored. Activities of the farmers are closely watched by the officers concerned. Each farmers' group must be visited at least three times during the season. The first visit is to ensure that loans are being utilized judiciously for the purpose intended. The subsequent visits are to ensure that farmers are still active in farming business and to offer any useful advice on their activities that can generate some cash-flow.

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Observation

From the foregoing it is my view that the success of the Scheme is just a function of how efficiently and effectively the lending banks execute their banking activities with regard to the Scheme. Despite the fact that both UBA and HNB have functional agricultural credit departments (which is saddled with the responsibility of appraising loan applications and also monitoring and supervising credit facilities already granted) HNB for the period 1989 – 1994 was able to achieve a repayment rate of 99.67% while UBA's average rate for virtually the same period was 35.72% (see table 4J and 4G respectively). Therefore much as it is not in doubt that the events enumerated earlier on in chapter 4.1 are critical to the success of any lending facility, it is my ardent view that most failures in the Scheme arise as a result of inefficient tackling of these events.

4.1.4 NAIC EXPERIENCE WITH THE ACGS

(a) **Performance under ACGS**

The Company took off in 1988 by giving cover to two crop items namely maize and rice, two livestock items namely cattle and poultry, and some commercial businesses like farm buildings, machinery and equipment. The cover has since then increased to 21 crop items, 9 livestock items and 12 commercial items.

Table 4K – NAIC Premium Generation (1988 – 1992)

YEAR	NO. OF INSURED	PREMIUM (N)
1988	1	128,579
1989	5,079	10,204,594
1990	48,067	14,184,156
1991	43,855	30,791,217
1992	31,196	33,100,000
TOTAL	**128,198**	**88,408,564**

Source: C.C.O, CBN 1993.

As may be seen in the table above, NAIC started by giving cover to a single livestock farm (Obudu Cattle Ranch) which generated a premium of N128,579. By 1992 the Company has underwritten a cumulative policy of 128,198 with cumulative premium amounting to N88,408,564.

Table 4L – Claim Settlement by NAIC (1988 – 1992

YEAR	NO. OF INSURED	PREMIUM (N)
1988	-	-
1989	184	637,730.75
1990	1,402	3,685,604.50
1991	137	869,857.30
1992	738	64,475,158.25
TOTAL	**2,461**	**69,566,350.80**

Source: C.C.O, CBN 1993

It can be seen from the above table that no payment was made in respect of any claim settlement in 1988 until subsequently in 1989. By 1992 the Company has settled a cumulative total of 2,461 genuine claims amounting to N69,565,350.80.

It is worthy of note that all claim payments were channeled through the participating banks in fulfillment of the conditions of the mandatory insurance cover. For instance, in 1990 when most of the northern part of the country was hit by draught, a total of 1,402 bank beneficiaries were compensated to the tune of N3,685,604.50 and this amount was paid through the lending banks.

Table 4M – Total Loans Guaranteed by ACGS (1987 – 1997)

YEAR	NUMBER	AMOUNT (N000)
1987	16,209	102,152.5
1988	24,538	118,611
1989	34,518	129,300.3
1990	30,704	98,494.4
1991	22,014	82,107.4
1992	21,206	88,031.8
1993	15,514	80,845.8
1994	16,572	103,186.0
1995	18,079	164,162.1
1996	19,036	225,502.5
1997	17.,840	242,038.2
TOTA	**236,230**	**1,434,432.0**

Source: ACGS Annual Report, 1998

It can be seen from the table above, when the mandatory cover was introduced in 1989, there was an unprecedented rise in loan/credit facilities in agriculture by the lending institutions. The figure peaked that same year when banks under the ACGS granted loans to 236,230 farmers amounting to N1,434 million. But this trend was short lived as bank performances began to witness decline since then.

The declining trend of participation was attributed to the unwillingness of the banks to grant fresh loans, claiming rather to be embarking on past loans recovery.

(a) **Loans Guaranteed by the ACGSF (1978 – 1997)**

PERIOD	VOLUME			VALUE		
	NUMBER	% OF TOTAL	% CHANGE	AMOUNT (N000)	% TOTAL	% CHANGE
1978-1986	16,277	6.45	-	316,855.8	18.09	-
1987	16,209	6.42	211.53	102,152.5	5.83	49.30
1988	24,538	9.72	51.38	118,611.1	6.77	16.11
1989	34,518	13.67	40.70	129,300.3	7.38	9.00
1990	30,704	12.16	-11.00	98,494.4	5.62	-23.80
1991	22,104	8.72	-28.30	82,107.4	4.68	-16.60
1992	21,206	8.39	-3.70	88,031.8	5.03	7.20
1993	15,514	6.14	-26.80	80,845.8	4.62	-8.20
1994	16,572	6.56	6.80	103,186.0	5.90	27.60
1995	18,079	7.16	9.10	164,162.1	9.37	59.10
1996	19,036	7.54	5.30	225,502.5	12.87	37.40
1997	17,840	7.06	-6.30	242,038.2	13.82	7.30
TOTAL	252,507	100		1,751,287.8	100	

Source: ACGSF Annual Report, 1998.

From the above it can be seen that from its inception up to 1997 the Scheme guaranteed a total of 252,507 loans valued at N1,751.29m. From 1978 to 1986 it guaranteed a total of 16,277 (6.5%) loans valued at N316.86m (1.81%) of the total volume and value respectively.

In 1987 the Scheme Fund guaranteed 16,209 (6.42%) loans valued at N102.15m (5.83%). The figures in 1987 represent an increase of 211.53% of the volume and 49.30% of the value, over and above 1986 figures.

From the inception both the volume and value of loans kept on increasing and peaked in 1989 when a total of 34,518 (13.67%) loans valued at N129.3m (7.86%) were guaranteed. The trend was reversed from 1990 to date in terms of volume of loans guaranteed. But for the period (1990 – 1993) we have witnessed a sustained increase of value of the loans.

From the observed trend it can be concluded that the lending banks do not seem to have confidence in the Scheme.

(b) **Loans Guaranteed by Size (1987 – 1997)**

	VOLUME		VALUE	
SIZE	**NUMBER**	**%**	**AMOUNT (N)**	**%**
A	205,281	86.90	659,676.5	45.98
B	24,310	10.30	257,156.1	17.92
C	3,657	1.54	125,730.0	8.76
D	2,332	0.98	184,087.5	12.83
E	650	0.27	207,872.9	14.49
TOTAL	**236,230**	**100**	**1,434,523.0**	**100**

Source:ACGSF Annual Report 1998

KEY

A - N5,000 and below

B - N5,001 – N20,000

C - N20,001 – N50,000

D - N50,001 – N100,000

E - Above N100,000

During the period under review a total of 236,230 loans valued at N1,434.52m were guaranteed by the Scheme. These represent 93.5% of volume and 81.9% of value of the total loans guaranteed by the Scheme to date.

From the above table and also appendix E it can be seen that 205,281 or 86.9% of the volume and N659.68m or 45.98% of the value of the loans guaranteed were granted to the N5,000 and below facility bracket. This reaffirms the success of the Scheme's directive that lending banks should grant loans to small scale borrowers without demanding tangible collaterals.

(c) **Distribution of Loans Guaranteed by Category of Borrower 1987 – 1997**

	VOLUME		VALUE	
CATEGORY	**NUMBER**	**%**	**AMOUNT (N)**	**%**
Individual	237,098	98.8	1,122,999.2	78.29
Informal Group	315	0.13	7,516.5	0.52
Cooperatives	2,073	0.86	137,492.4	9.59
Company	495	0.20	166,423.9	11.6
TOTAL	**239,9821**	**100**	**1,434,432**	**100**

Source:ACGSF Annual Report 1998

During the period under review (1987 – 1997) a total of 239,981 loans valued at N1,434.4m were guaranteed by the Scheme on the category basis of the borrowers. These figures represent 95% of the total volume or 81.9% of the total value of the loans guaranteed by the Scheme since its inception.

Analysis of the guaranteed loans and their distribution (see the table above and also appendix D) show that most of the loans went to individual borrowers. From a total of 239,981 loans guaranteed during the period 1987 – 1997, 98.8% in volume and 78.29% in value went to individual borrowers. Cooperatives accounted for 0.80% in volume and 9.59% in value.

The implication of this distribution of loans is that the Government's deliberate policy of channeling credit to small scale rural borrowers who are mainly individuals has been achieved.

(d) **Distribution of Loans Guaranteed by Purpose of Borrowing (1987-97)**

	VOLUME		VALUE	
PURPOSE	**NUMBER**	**%**	**AMOUNT (N)**	**%**
Livestock	10,897	4.3	327,414.8	18.7
Fisheries	2,714	1.1	33,223.6	1.9
Mixed Farming	624	0.2	22,435.6	1.3
Food Crops	216,240	85.6	1,180,812.3	67.4
Cash Crops	11,561	4.6	94,375.8	5.4
Others	10,471	4.1	93,025.7	5.3
TOTAL	**252,507**	**100**	**1,751,287.8**	**100**

Source:ACGSF Annual Report 1998

Analysis of loans guaranteed by purpose (85.6% of the volume and 67.4% of the value) went to borrowers of N5,000 and below (see the above table and also appendix D). this reaffirms the success of CBN's policy directive that loans to this category of borrowers be granted by lending banks without demanding tangible collaterals

(e) **Loans Guaranteed, Fully Repaid and Outstanding**

A good credit delivery system should be that which attracts high rate of loan recovery. One can only meaningfully assess one's success as a credit delivery body when one compares what has been loaned out, what is repaid and what is outstanding.

Cross Comparative Analysis of Loans Guaranteed, Fully Repaid and Outstanding (1978 – 1997)

	LOANS GUARANTEED		LOANS FULLY REPAID		OUTSTANDING	
PERIOD	NUMBER	AMOUNT (N)	NUMBER	AMOUNT (N)	NUMBER	AMOUNT (N)
1978-1986	16,277	316,855.8	3,399	35,862.9	12,878	280,992.9
1987	16,209	102,152.5	1,729	8,286	14,480	93,866.5
1988	24,538	118,611	3,861	21,035	20,677	97,576.0
1989	34,518	129,300.3	10,862	52,819.6	23,656	76,480.7
1990	30,704	98,494.4	14,866	60,681.3	15,838	37,813.1
1991	22,014	82,107.4	16,302	67,245.7	5,712	14,861.7
1992	21,206	88,031.8	16,897	91,062.2	3,309	18,535.8
1993	15,514	80,845.8	18,099	91,062.2	-2,585	-10,216.4
1994	16,572	103,186	16,145	92,337.5	427	10,848.5
1995	18,079	164,162.1	18,038	120,786.6	41	43,375.5
1996	19,036	225,502.5	17,335	132,979.4	1,701	92,523.1
1997	17,840	242,038.2	13,090	131,244.4	4,750	110,793.8
TOTAL	**252,507**	**1,751,287.8**	**150,623**	**883,836.6**	**101,884**	**867,451.2**

Source:ACGSF Annual Report 1998

(f) **Loans Guaranteed and Default Claims Outstanding as at 1997**

DETAILS	NO.	AMOUNT (N000)
Loans Guaranteed	252,507	1,751,287.8
Claims Submitted	6,837	284,486.0
Claims Settled	3,055	51,272.7
Claims Outstanding	3,782	233,213.3

Source:ACGSF Annual Report 1998

The two tables above reveal that out of the total 252,507 loans valued at N1,751.28m guaranteed, 150,623 or 59.65% valued at N883.84m or 50.46% have been fully repaid. A total of 101,884 or 40.35% valued at N867.45m or 49.54% remain outstanding. Also of the total 6,837 default claims filed with the managing agent for settlement a total of 3,055 or 44.68% were settled leaving 3,782 or 55.32% outstanding.

CHAPTER 5

5.1 SUMMARY

The statement of the problem in Section 1.1 brings out in clear perspective the sorry state of our peasant farmer and by extension, our agricultural sector. All the views and opinions expressed in this research work centre on how to improve on some structures, already put in place, aimed at economic empowerment of the small scale rural farmer so that the agricultural potentials of the country can be maximally exploited.

Successive governments have made several attempts at improving the situation. From direct government financing of programmes to financing through its agencies and through other international financial organisations. Each time such attempts were met with failure.

The research analysed various policy statements and programmes aimed at improving agricultural production. Monetary and agricultural credit policies were discussed in the light of IMF-packaged SAP deregulation policies.

Experiences of the various interest groups to the ACGSF were analysed in the light of the actions and inactions of the participants in the Scheme.

The analysis was carried out of the loans guaranteed by the Scheme and their distribution by category, by size and by purpose and thus evaluated.

The research identified that the Scheme has fared well in the area of enhancing credit to the small-scale rural farmer for the purpose of food crops production which is its main objective. However, a lot of sensitization measures are required in the credit delivery and recovery services and more importantly in area of default claims settlment.

(1) Government should be consistent in policies affecting agriculture. Input subsidies e.g. fertilizer, machinery etc. and support policies like banning importation of certain items to boost local production.

(2) Introduction of optimum interest rate that will encourage both lending and borrowing.

(3) The Federal Government should reconstitute the Board of the ACGSF. And the reconstituted Board should display a more pragmatic approach to settlement of claims, especially those that arose from its operations during these trial years so as to stem the declining trend in lending.

(4) Marketing support strategies for example effective storage structures, good rural roads etc. should be provided by the Government.

(5) Logistic support such as vehicles, personnel etc. for agricultural credit/finance departments of both the lending and guaranteeing banks should be enhanced to ensure proper monitoring of projects and loan recovery.

(6) More rural branches should be established by the lending banks so as to enhance credit delivery to the rural dwellers.

(7) Informal groups should be strengthened and encouraged as a viable channel of credit delivery to small borrowers and to ensure higher recovery.

(8) The maximum amount lent without tangible security should be raised to N10,000 or N15,000.

(9) The Scheme should improve on the time between formal lodging of claims by banks and settlement.

(10) The Central Bank should regard the appraisal of projects by commercial and merchant banks as adequate enough for the issuance of their guarantee considering the fact that the banks have much at stake as the custodians of depositors' funds.

(11) Settlement of claims should have an even spread between small and big defaults. The present situation where only small claims are settled while the big ones are subjected to a lot of questioning is discouraging to the lending banks.

(12) The aspect of the ACGSF guidelines which insists that the amount realised from the claim should be carried in a suspense account while the banks continue to pressurize the client for full recovery of the debts should be amended. This will allow the banks to write off.

INTERVIEW QUESTIONS

FARMERS

(a) What kind of farmer are you? Small-, medium- or large-scale?

(b) How did you come to know of the existence of ACGS?

(c) If yes, have you benefited from any credit facility under the Scheme?

(d) If yes, what size? N5,000 and below or N5,001 – N20,000

(e) Do you think the amount is adequate?

(f) What is your assessment of the Scheme with respect to the lending banks' attitude in the processing and disbursement of the facility?

BANK OFFICIALS

(a) What do you consider as the most critical event(s) in the operational cycle of granting a lending facility?

(b) To what extent is (a) applicable to the lending facilities guaranteed by the Scheme?

(c) What is your assessment of the performance of your Agriculture Credit Department vis-à-vis appraisal of loan application and timely disbursement of approved facility?

(d) What is your performance of the ACGSF with respect to default claim settlement and issuance of guarantee certificate?

(e) What is your assessment of the performance of the Central Bank of Nigeria as the managing agent of the ACGSF?

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Appendix

TABLE 6
NIGERIAN AGRICULTURAL AND CO-OPERATIVE BANK LIMITED
OPERATIONS DATA 1973 - 1993

Year	Loan Approval		Loan Disbursed (N)	Loan Repaid (N)	Loan Outstanding (N)	Percentage Loan REPAIRD	Percentage Loan OUTSTANDING
	No.	Amount (N)					
1973–1985	9,665	668,477,563	478,080,071	160,554,436	317,525,635.0	4.8	9.5
1986	9,453	51,242,111	42,413,837	24,340,387	18,073,450	0.7	0.5
1987	8,402	148,656,402	66,250,461	52,803,112	13,447,349.0	1.6	0.4
1988	47,470	407,164,639	262,216,056	101,168,529	161,047,527.0	3.0	4.8
1989	52,058	560,003,000	445,759,226	127,002,469	318,766,757.0	3.8	9.5
1990	36,897	494,912,000	358,905,302	195,414,959	163,490,343.0	5.8	4.9
1991	20,801	429,638,852	165,856,935	197,884,628	32,027,693	5.9	-0.9
1992	28,566	919,077,530	626,661,067	545,491,727	81,169,340.0	16.2	2.4
1993	39,032	874,278,854	912,187,802	661,973,901	250,213,901.0	19.7	7.5
Total	252,344	4,553,450,95	3,358,340,757	2,066,634,148	1,291,706,609	61.5	38.5

Source: Small Holder and Statistical Division NACB, 1994

TABLE 7
INTEREST RATE STRUCTURE (PERCENTAGE)

	1986	1987	1988	1989	1990	1991	1992	1993	1994
Minimum Rediscount Rate	10.0	12.8	12.8	18.5	18.5	15.5	17.5	26.0	13.5
COMMERCIAL BANKS:									
Savings/Deposit Rate	9.5	14.0	12.4	16.5	17.5	14.0	16.1	16.9	12.2
Time Deposit Rate (90 days)	9.5	14.9	13.1	19.5	19.6	15.4	20.8	23.6	13.2
Prime Lending Rate	10.5	17.5	16.3	25.5	25.6	20.0	29.8	36.1	20.2
Maximum Lending Rate	12.0	19.2	18.4	25.7	25.9	20.9	31.2	39.1	21.0
MERCHANT BANKS:									
Time Deposit Rate (90 days)	n.a	n.a	14.5	25.2	22.2	17.3	38.8	37.7	14.2
Prime Lending Rate	n.a	n.a	16.5	29.8	28.6	20.3	44.4	59.1	20.8
Maximum Lending Rate	n.a	n.a	17.6	29.8	28.6	21.0	48.1	61.5	21.0
INTER-BANK RATE	n.a	n.a	n.a	n.a	14.5	19.5	68.5	57.5	20.9
INFLATION RATE	5.4	10.2	38.3	40.9	7.5	13.0	44.5	57.2	63.7

Source: Central Bank of Nigeria: Statistical Bulletin, 1994.

APPENDIX 1

TABLE 8.6

COMMERCIAL BANKS' BRANCHES IN NIGERIA AND ABROAD AS AT 31ST DECEMBER, 1998

No.	Commercial Banks	No. of Branches			
		Overseas (1)	Urban (2)	Rural (3)	Total (4)
1.	Access Bank Nig. Ltd.	–	8	0	8
2.	Afribank Limited	–	94	43	137
3.	African Continental Bank Ltd.	–	50	2	52
4.	African International Bank	–	36	24	60
5.	All States Trust Bank Ltd.	–	31	0	31
6.	Bank of the North Ltd.	–	62	25	87
7.	Broad Bank Limited	–	7	0	7
8.	Chartered Bank Ltd.	–	18	0	18
9.	Citi Bank	–	7	3	10
10.	Citizens International Bank Ltd.	–	16	0	16
11.	Co-operative Bank Ltd.	–	45	14	59
12.	Co-operative & Dev. Bank Ltd.	–	14	0	14
13.	Commercial Bank(Credit Lyonnais Nig.).	–	13	5	18
14.	Commercial Bank of Africa Ltd.	–	8	0	8
15.	Diamond Bank Ltd.	–	23	0	23
16.	EcoBank Nig. Ltd.	–	14	0	14
17.	Eko International Bank Ltd.	–	14	0	14
18.	Equitorial Trust Bank Ltd.	–	20	0	20
19.	FSB International Ltd.	–	10	0	10
20.	First African Trust Bank Ltd.	–	3	0	3
21.	First Bank of Nigeria Ltd.	1	200	106	307
22.	Gulf Bank Limited	–	7	0	7
23.	Guaranty Trust Bank Ltd.	–	8	0	8
24.	Gateway Bank of Nigeria Ltd.	–	6	0	6
25.	Habib Bank Nigeria Ltd.	–	35	10	45
26.	Hallmark Bank Ltd.	–	9	0	9
27.	Inland Bank Nig. Ltd.	–	17	1	18
28.	International Trust Bank	–	13	0	13
29.	Intercity Bank Ltd.	–	10	0	10
30.	Lion Bank of Nig. Ltd.	–	11	0	11
31.	Magnum Trust Bank Ltd.	–	14	0	14
32.	Equity Bank of Nigeria	–	9	0	9
33.	National Bank of Nig. Ltd.	–	61	30	91
34.	New Nigeria Bank Ltd.	–	31	9	40
35.	Nigeria Universal Bank Ltd.	–	9	0	9
36.	Assurance Bank Ltd.	–	23	17	40
37.	Oceanic Bank International Ltd.	–	9	0	9
38.	Orient Bank Nig. Ltd.	–	11	0	11
39.	Owena Bank (Nig.) Ltd.	–	25	6	31
40.	Premier Commercial Bank Ltd.	–	10	0	10
41.	Savannah Bank of Nig. Ltd.	–	51	32	83
42.	Societe Generale Bank Ltd.	–	19	21	40
43.	Standard Trust Bank	–	9	0	9
44.	Trade Bank Nig. Ltd.	–	26	0	26
45.	Trans International Bank Ltd.	–	13	0	13
46.	Tropical Commercial Bank Ltd.	–	9	6	15
47.	Union Bank of Nig. Ltd.	2	178	93	273
48.	United Bank for Africa Ltd.	2	120	88	210
49.	Universal Trust Bank of Nig.	–	28	5	33
50.	Wema Bank Ltd.	–	57	17	74
51.	Zenith International Bank Ltd.	–	21	0	21
	Sub-Total	5	1,545	557	2,107